



**City of Detroit**

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**OFFICE OF THE AUDITOR GENERAL**

**Audit of the  
Board of Zoning Appeals**

**October 2003**

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## MEMORANDUM

**DATE:** December 8, 2003

**TO:** Honorable City Council

**FROM:** Joseph L. Harris  
Auditor General 

**RE:** Audit of the Board of Zoning Appeals

**C:** Mayor Kwame M. Kilpatrick

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Attached for your review is our report on the audit of the Board of Zoning Appeals.

This report contains our audit purpose, scope, objectives, and methodology; background; our audit findings and recommendations; and the agency's response.

The Board of Zoning Appeals staff that assisted with the audit was cooperative and demonstrated a high degree of professionalism and dedication to their mission. We appreciate their cooperation and assistance.

## **AUDIT PURPOSE, SCOPE, OBJECTIVES AND METHODOLOGY**

### **Audit Purpose**

This audit was performed under the Office of the Auditor General's (OAG) Charter mandate to perform audits of the financial transactions of all City agencies. The OAG performed the audit of the Board of Zoning Appeal's (BZA) control procedures to test their adequacy to properly record transactions of payroll, cash receipts, voucher disbursements, imprest cash, and fixed assets, and to make any recommendations, if warranted, to improve the control procedures.

### **Audit Scope**

The OAG performed an assessment of the BZA's control procedures for transactions of payroll, cash receipts, voucher disbursements, imprest cash, and fixed assets; and for compliance with year-end closing procedures. We did not observe any weaknesses in internal controls, so we focused our audit on the status of the prior audit finding.

This audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external quality review of the Office of the Auditor General within the last three years.

### **Audit Objectives**

Our audit of the BZA had the following objectives:

1. To assess the BZA's internal controls relating to:
  - i. Current financial operations, and
  - ii. Compliance with policies, plans, procedures, laws and regulations.
2. To determine whether the BZA has adequate internal accounting controls.
3. To determine whether the BZA implemented the prior audit recommendation or otherwise resolved the finding.

### **Audit Methodology**

To accomplish our audit objective, our audit work included the following:

- We reviewed City directives, policies, and procedures, and interviewed BZA personnel to gain an understanding of the Board's internal controls.
- We evaluated internal controls for payroll, cash receipts, voucher disbursements, fixed assets, and imprest cash.
- We examined a judgmental sample of transactions that we considered satisfactory to achieve our objectives.

## **BACKGROUND**

The mission of the Board of Zoning Appeals is to hear and rule on appeals for relief or relaxation of the provisions and requirements of the zoning ordinance from any person, firm, partnership, or corporation, or by any officer, department, commission, board, or bureau of the City aggrieved by a decision of an enforcing officer or any decision made by the Buildings and Safety Engineering Department, where rigid enforcement could cause the appellant undue hardship, or jeopardize equity prior to the effective date of the zoning ordinance, or prevent proper utilization of property.

The BZA was established by ordinance in 1940 to act on petitions of variance from the City's local zoning ordinance. The BZA consists of seven members appointed by City Council for three-year terms. The City Council appoints the BZA Director for a six-year period. Compensation of the board members and the Director is fixed by City Council.

The BZA conducts investigations and public hearings to determine whether variances, exceptions or modifications of approved regulated uses of land will be in the best interest of the public and that the spirit and intent of the zoning ordinance is upheld.

The BZA's budgeted appropriations for fiscal year 2002-2003 were \$969,438, with budgeted staff of 17. Budgeted appropriations for year 2003-2004 are \$973,276, with a budgeted staffing level of 16.

## **AUDIT RESULTS**

Our previous report on the BZA, dated October 1999, was a follow-up to an internal control review report for the two years ended June 30, 1995. The follow-up report found that one recommendation, first mentioned in 1993, had yet to be fully implemented. That finding along with the current follow-up results follows:

### **Need for Improved Internal Controls for Cash Receipts (June 30, 1993):**

#### **Summary of the Original Finding and Recommendation:**

During the examination of the Board of Zoning Appeals cash receipts, we noted the need for improvements in internal controls, as the Department was unable to ascertain whether cash receipts collected for Board of Zoning Appeals services via the Buildings and Safety Engineering Department and the City Treasurer's Office were posted to the BZA's revenue account in the City's financial accounting system (DRMS).

We recommended that the Board of Zoning Appeals implement control procedures, such as cross-referencing between records, to strengthen the accountability and record keeping for cash receipts.

#### **Follow-up Results:**

The BZA has implemented the OAG's recommendation. The BZA's cash receipts for appeals are collected, deposited, and recorded by personnel of the Buildings and Safety Engineering Department (BSED). The BZA is notified of appeals and collected receipts through the daily collection of case files in BSED. A BZA employee creates an internal receipt for the case file and logs the request for appeal. Periodically, a BZA employee cross-references the BZA's internal receipts to the cash receipts journal entry form prepared in BSED to ensure that fees for all appeals files have been properly recorded.

## **CONCLUSION**

Our audit of the BZA's control procedures revealed no material weaknesses. However, our audit did reveal the following instance of noncompliance with established City policy pertaining to fixed assets:

1. BZA has not conducted an annual physical inventory count of its capital assets in two years. The City of Detroit Finance Department's Capital Asset Policy Guide establishes that each department shall conduct an annual physical count of its capital assets. This process also includes the update and retention of accurate records of the agency's assets.

While the Department should implement procedures to correct the above condition to ensure compliance with City policy, we compliment the BZA's efforts and we encourage the Department to maintain its level of due diligence in adherence to policy and procedure.




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**ATTACHMENT A**

TO: Joseph L. Harris  
Auditor General

FROM: Tyrone U. Miller, Director   
Board of Zoning Appeals

DATE: November 7, 2003

RE: Audit Findings 2003

The Board of Zoning Appeals Department was pleased to have worked with your staff over the last seven months relative to this 2003 Audit. We have also appreciated the high degree of professionalism your staff has shown in this process.

The Department would like to make one comment regarding the annual physical inventory count of capital assets, and that is the Department has scheduled our annual physical inventory for the month of December, 2003.

If you have any additional questions, please contact me at 224-3595.

TUM/gh

cc: David Koch

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